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NOTES AND ABSTRACTS.

Communal Recreation.—There is very little effective study bestowed on the social conditions under which we spend our non-productive hours. Sometimes the subject is discussed from the standpoint of art critics, but for the most part *laissez faire* is our guiding principle in recreation. The purpose of this paper is to prove that this is a mistaken policy.

In ancient Greece the state provided for recreation as a necessary part of its functions. Even the slave population shared these privileges. With the growth of modern cities the church organized recreation on a comprehensive scale. There was the recreation attendant on the congregating for worship, the mystery and miracle plays, and other forms of recreation which the people were allowed to work out for themselves within the limits of orthodoxy. But the confiscation of the church lands and the Puritan movement destroyed this organization of recreation. It was the industrial revolution, however, that finally deprived the people of all public recreation. Previous to this the landed gentry fostered the sports and pastimes of the people. The lords of the manor now inclosed the lands and shut the people out from their heritage. At present there is no way for the people to get recreation except through communal organization.

The recreation supplied by unrestrained individual enterprise for a profit is cheap and demoralizing; and when supplied by philanthropic effort, scanty and blundering. The provision for communal recreation becomes more important as a humane limit is established to the hours of industrial drudgery. Many valuable lessons in this direction can be learned from the continental cities, which have accomplished more than we have. Communal recreation from its nature must be for the most part municipal rather than national.

Professor Jevons asserted that among the means toward a higher civilization the deliberate cultivation of public amusement is a principal one. The relation of recreation to industry is well worthy of study. England's industrial prosperity is due to the earlier customs of recreation. As a people becomes less vigorous, its recreations become less re-creative and more a killing of time. In a program for municipal recreation there should be (1) an increase in number of parks and opportunities for games in parks; (2) opportunities for indoor recreation, such as winter gardens, free concerts, etc.; (3) the cheapening of transportation charges so that the people could afford to go to the places provided; (4) the managing of public houses in the interest of the people instead of the interest of the drink monopolists.—CHARLES CHARRINGTON, in *Contemporary Review*, June, 1901.

R. C. A.

Life in the Manufacturing Towns of Lancashire and Yorkshire.—One of the most puzzling present-day social problems is that which is concerned with the life of the worker in the large manufacturing towns of the northern counties of England. From Liverpool to Manchester is now one wide urban area. This paper is concerned with a district containing forty thousand people, who are engaged in three kinds of manufacture, none of them actually noxious. The shops of this district are cheap and vulgar, their goods gaudy and poor. Most goods are sold on the installment system. The tradesmen often resort to coupon prizes to draw trade. These prizes are usually gaudy, useless things. Of newspapers there is practically no sale except of the poorer kind—the sporting papers being far in the lead. Public houses are numerous, but there is no café or temperance house of any kind. There is a library in which youths read fiction.

Three-fourths of the people live in well-built cottages, flush to the street, with eight square yards of land behind, containing the outhouse. There is no waste land, no common or folk land, no playground but the street; not a blade of grass in two

square miles, except in an old garden, and that not exceeding fifty square yards. On the inside there are three rooms—two bedrooms and a general living-room. The men do not often remain at the cheerless homes. Most of the clubs are to provide unlicensed premises for the sale of intoxicants. It is a notorious fact that the magistrates grant licenses to the "tiedhouses" of the big brewers where the individual renter would be promptly refused.

The dwelling-houses are so small and the rooms so crowded that there is no place for the lads and lasses to make love but the street or the bank of the grimy, foul-smelling canal. And what of love unchecked in these dark corners of the canal bank, where minds are warped by foolish reading and unnatural precocity prevails? They marry. But what of married life? There are neglected hearths, women who know little of their husbands, husbands who are scorners of womankind, and children regarded as untimely visitants.

The great difficulty is that the æsthetic life of the people is ruined. There is little or no poverty, but the smoky sky has begrimed their lives, the small houses have dwarfed their souls, and the naked streets have chilled their hearts. Nothing touches their lives with fire from the altar of life. The remedies proposed are: (1) a few small theaters with decent plays; (2) coöperative public houses and temperance billiard-rooms; (3) reading-rooms in every parish, where men could smoke and chat; (4) an attractive religion, full of sunshine and merriment.—JOHN GARRETT LEIGH, in *Economic Review*, London, April 15, 1900.

R. C. A.

Personal Budgets of Unmarried Persons.—The dictum of science is that the last dollar expended in each case shall be so disbursed that the maximum of enjoyment is thereby obtained. Dr. Engel has laid down the law that the greater the income, the smaller is the relative outlay for subsistence; that the outlay for sundries increases more rapidly than the total expenditure. It is the purpose of this paper to present the results of the study of the budgets of unmarried persons, subdividing the account as far as possible. The expenditures are grouped in four classes:

1. *Necessities*, including room rent, board, clothing, laundry, physician and medicine, traveling, furniture, and sundries.
2. *Stationery*, including books, paper and ink, periodicals, and stamps.
3. *Pleasure*, including theater, pool and billiards, social functions, flowers, music, society dues, chance, athletics, suppers, charity, and sundries.
4. *Tobacco and intoxicants*.

The following table shows the per cents. of total expenditure devoted to each of the four classes of expenditures for Yale students:

	Yale Student.	Spending under \$700 yearly.	Spending \$700-\$1,000 yearly.	Spending over \$1,000 yearly.	Spending over \$3,000 yearly.	Spending under \$300 yearly.	On appointment lists.	Not on appointment lists.
Necessities	72.6%	81.0%	78.2%	69.5%	52.1%	90.5%	73.2%	65.9%
Stationery	4.7	6.9	5.0	4.4	2.2	5.1	6.8	3.6
Pleasure	18.3	10.8	15.2	20.3	36.8	3.8	18.2	22.4
Tobacco and intoxicants	4.4	1.3	1.6	5.8	8.9	0.6	1.8	8.1

It will be observed that the per cent. of expenditures devoted to necessities and stationery decreases regularly as the total increases, while that for pleasures and tobacco and intoxicants increases. The table also shows that the man whose expenditures are moderate is much more apt to win honors, *i. e.*, get on the appointment lists. (All who receive a standing of 2.5 on a scale of 4 are on the appointment list. Over half win this honor.)

A comparison of the expenditures of certain other classes of unmarried persons yields the following results: The distribution of the Yale instructor's expenses differs from that of the honor student's very little, except that less is devoted to pleasure and more to books. The per cents. for young business-men spending \$1,000 to \$1,200 are about the same as for those students who spend over \$3,000. Students at Vassar and

Smith, whose total expenses are a little smaller than for Yale students, spend relatively more for necessities, the difference being largely for clothing, and less for pleasure and stationery. A woman graduate at Yale differs from the student of Smith and Vassar in that more is spent for stationery, less for pleasure, and the total is much less.—WILLIAM T. BAILEY, in *Yale Review*, March, 1901. R. C. A.

The American Negro and His Economic Value.—When the first twenty slaves were landed at Jamestown, it was their economic value which caused them to be brought. For a long time our national laws bearing upon immigration have been framed so as to prevent the influx into this country of any classes or races that might prove a burden upon the taxpayers, or might underbid the American laborer. But for two centuries and more it was the policy of the United States to bring in the negro at great cost. This country had two hundred and fifty years in which to judge of the economic value of the black man, and the verdict at the end was that he was constantly increasing in value, especially in the southern part of the United States.

The great cotton, sugar-cane, rice, and tobacco industries of the South are evidence of the value of the negro as a common laborer, while many of the most complicated structures of the South stand as monuments to the skill and ability of the negro mechanic. Not only did the black American prove his worth in the way of common and skilled labor, but there were thousands of negroes who demonstrated that they possessed executive ability of a high order.

The above observations apply to the negro as a financial factor in American life before the Civil War. What about his value as a free man?

Few people in our country have seen a black hand reached out from a street corner asking for charity. It is probable that, according to the true economic theory that the renter and not the owner pays the tax, the negro pays his share of the taxes that support his own school.

Few counties and states keep statistics concerning the economic progress of the negro, but from a study of those kept it seems probable that there has been a general upward tendency. Indeed, the negro seems to be the best laborer the South has ever had, and is the best that the South is likely to get in the future.

What has been said thus far relates mainly to the common negro laborer before and since the war. But what about the educated negro?

"Some time ago I sent letters to about four hundred white men scattered throughout the southern states, in which these three questions were asked:

"1. Has education made the negro a more useful citizen?

"2. Has it made him more economical and more inclined to acquire wealth?

"3. Has it made him a more valuable workman, especially where thought and skill are required?"

"Answers came from three hundred of my correspondents, and nine-tenths of them answered the three questions emphatically in the affirmative. A few expressed doubts, but only one answered the questions with an unmodified 'no.'

"The greatest thing that can be done for the negro at the present time is to make him the most useful and indispensable man in his community. This can be done by thorough education of the hand, head, and heart, and especially by the constant instilling into every fiber of his being the thought that labor is ennobling and that idleness is a disgrace."—BOOKER T. WASHINGTON, in *International Monthly*, December, 1900. T. J. R.

Social Elements in the Theory of Value.—Most of the failures to reconcile the existing differences of opinion on the theory of value are due to inattention to the fact that the essential element in the theory of value is the social element. Ricardo and his followers maintain that the value of a commodity is fixed by the cost of production, while Jevons and the Austrian economists contend that value is fixed by its marginal utility. The social conception was implicit with Ricardo and with the Austrians, but not explicit. The purpose of this paper is to make it explicit, and by making it explicit to show that the assertions of both schools are true, and that each statement may be merged into a higher synthesis.

When we speak of the value of an article in an economic sense, we think not of its usefulness in general, but of the utility of a definite quantity; and we think not of

the total utility of this quantity taken by itself, but of its marginal utility as compared with that of other commodities. In society the measure of the value of a commodity is not its marginal utility to any one individual, but rather its marginal utility to society. Each individual compares the relative urgency of his own different wants with those of his neighbors, and the value of an article is determined by the relative urgency of the needs of society as a whole. It is on this account that a commodity may have value to a man and yet have no direct utility for him. In that case the value is clearly a social affair. Since value is a social conception depending on a comparison of divers commodities, and since this comparison can be made in society only by transfer, it is clear that the value with which social economics has to deal is value in exchange.

Just as utility at bottom corresponds to pleasure, so cost, or disutility, corresponds to pain. As the marginal utility of a commodity depends on supply, so the marginal disutility, or pain of labor, depends on the amount. Up to a certain point the pleasure or utility of work equals or exceeds the pain or disutility. At the marginal point the pleasure and pain will be equal. Marginal cost equals marginal utility. But the real cost of importance as affecting value is not individual, but social, cost, the pain which society as a whole is willing to undergo. The exertion of one man is estimated in relation to the exertion of another, and the sacrifice of each is compared with the needs of society as a whole. When one commodity is exchanged for another, it means that the additional sacrifice imposed upon society to replace either is the same—that the marginal social cost is the same. In society, then, where there are exchanges we cannot say that the individual marginal cost or disutility equals the individual marginal utility, but only that the social marginal cost equals the social marginal utility.

In the light of this analysis, it will be seen that it is true that value is fixed by its marginal utility, if by the term "marginal utility" we mean social marginal utility; and likewise that value is fixed by cost of production, if that means social cost of production, for marginal social cost always equals marginal social utility. When we state the theory of value in terms of utility, we state it from the standpoint of the person who wants it—that is, of the demand; when we state it in terms of cost, it is from the standpoint of the person who parts with it—that is, of the supply.—E. R. A. SELIGMAN, in *Quarterly Journal of Economics*, May, 1901, R. C. A.

On the Depopulation of France.—From 1789 to 1881 the population of Germany increased 225 per cent., that of England 187 per cent., while that of France was only 48 per cent. From 1881 to 1896 the rate of increase was for Germany 15 per cent., for England 11 per cent., for France only 4 per cent. In 1780 the birth-rate in France was 38 to 1,000 inhabitants. In the period 1831-40 it averaged over 28. Now it is only 24. A similar, but less marked, tendency is observable in the case of other nations. This is shown by the following table:

AVERAGE NUMBER OF BIRTHS TO 10,000 INHABITANTS.

Periods.	Germany.	Austria.	Italy.	England.	France.
1874-78	401	394	370	359	258
1879-83	375	384	368	340	248
1884-88	369	382	381	325	239
1889-93	363	371	369	308	225
1894-98	361	373	349	298	223

There are numerous contributing causes to these phenomena, and great care must be exercised not to exaggerate the importance of any one. The influence of conjugal infidelity could be overestimated easily. Infant mortality is high. Probably 150,000, or over 18 per cent. of all born, died during the first year. This is attributable largely to the fact that mothers do not care for their own children. Other influences are the ill-health of mothers and unsuitable occupations for girls and women. Prostitution in the cities must be counted as one of the causes of the low birth-rate. Of greater importance is the increasing number of abortions due to scientific progress. It is estimated that in Lyons there are more abortions than births. Again, the celibacy of

almost four millions of persons over twenty-five years of age must be considered. The opening of new occupations to women seems to increase celibacy. Another important factor is the military system which prevents early marriages and keeps husbands in the army. Still another factor, and one of very great importance, is alcoholism. France stands at the head of nations in the consumption of alcohol. Among the effects of the excessive use of alcohol are insanity, crime, lessening of capacity for labor, a lowering of quality of work, a diminution of intelligence, skill, and vigor. Among certain classes of workers the women are much given to drunkenness, and this results in a very high infant mortality, the rate increasing with the continuance of the habit. The remedies proposed are: (1) to diminish the military service for the fathers of families; (2) to prevent the increase of abortions; (3) to care for the health of the mothers; (4) to lessen the use of alcohol; and (5) for mothers to nurse their children.

In itself the low rate of increase of population of a country is not a bad thing. Among all living beings fecundity decreases as the species is more highly developed. A people of creative genius is not prolific. Perhaps the French soil is the laboratory in which is being prepared the destiny of the human race.—A. LACASSANGE, "De la Dépopulation," in *Archives d'Anthropologie criminelle*, May, 1901. R. C. A.

The Machinists' Strike, 1900.—"Of recent years the principle of collective bargaining has gained in favor, as the employers as well as employés have become better organized, and the destructive character of industrial warfare has been more clearly recognized. But it remained for the present year to witness the culmination of this movement in the adoption of a joint agreement by the national organizations of the two parties. This recognition of the principle of collective bargaining on a national scale was given by an agreement entered into on May 18 between the National Metal Trades Association and the International Association of Machinists. This is the first time that the national associations of employers and the employés have effected such a union in the United States, and it may therefore be considered an epoch in the history of trades-unionism in this country."

The history of the strike is briefly this: In the spring of 1899 an effort was made to organize the machinists of Chicago into a closer union. The work did not progress very rapidly, as many of the workmen doubted the ability of the union to stand out for anything. And so it was decided to make certain demands of the employers, and, if these were not granted, to go on a strike. By this means it was hoped to strengthen the union. "The most important demands made by the machinists were the exclusive employment of union men, a nine-hour day, a wage scale ranging from \$2.80 to \$3.25 a day, with a minimum wage of 28 cents an hour, fixation of rates for overtime, and the limitation of apprentices." The regulations were to go into effect March 1; but the employers refused to sign an agreement, and a strike was declared on February 21. Two days later the employers organized to fight the movement. An attempt at a settlement fell through because of the refusal of the manufacturers to discuss the union clause. By March 1 a general strike was on, and some 6,000 men were out, about one-half of whom were members of the union. The demands of the Chicago men were taken up by the machinists of Philadelphia, Paterson, Cleveland, and Columbus. By the end of March about 9,000 men were on strike. Two attempts to settle the difficulty failed. But finally terms of arbitration were agreed upon. A joint board of three representatives from each side met in New York on May 10; the strike was declared off; and terms of agreement were ultimately ratified.

"The results of the arbitration conference were accepted with satisfaction by both sides, but the machinists especially hailed them as a signal recognition of their demands. They claimed that they had made substantial gains, even greater than they had hoped for, by securing the following points: (1) national recognition of their organization, which was now conceded for the first time in their history; (2) limitation of apprentices, in which respect their full demand was granted; (3) the definition of a machinist according to the constitution of their order; (4) the nine-hour day, though after a year; (5) the definition of overtime. On the other hand, it will be seen from the briefest perusal of the agreement that the management of the business was left entirely in the hands of the manufacturers, without interference on the part of the walking delegate—a vital point in the contentions of employers with labor unions.

From the standpoint of society, as well as of the employers, the greatest gain which resulted from the conference was the guarantee that in [the] future arbitration would be substituted for industrial warfare in cases of dispute between members of the two associations."—ERNEST L. BOGART, "The Machinists' Strike, 1900," in *Yale Review*, November, 1900. H. B. W.

Inter-Mental Psychology.—What is the place of social psychology among the sciences; what is its importance and character, and what deficiencies does it still present?

There has been such an abuse of this expression, "social psychology," that it is important at the outset to define what is meant by it here. There is one frequent use of the term that ought to be rejected. It is the notion, founded on the hypothesis of a *moi collectif*, which, from the conflict of *mois individuels*, bursts forth miraculously like the sparks from flints struck against each other. If this meaning of the term "social psychology" is discarded, what remains as its true province? Is it not confused with individual psychology? It is a branch of individual psychology just as the circle is a special form of the ellipse where the distance of the two foci becomes zero. The contact of the *ego* with the *alter* is not that of a relationship with an *ensemble* of external beings, but is an entirely special relation characterized by the minimum of dissimilarity or the maximum of similarity between the subject and the object. The object here is itself a subject; that which is perceived also perceives; that which is thought also thinks; that which is believed, loved, desired, willed, is itself believing, loving, desiring, willing. The individual coming in contact with other individuals, whether through sympathy or antipathy, gains a better apprehension of his own reality.

It seems to me that these relations and actions of mind upon mind deserve to be studied apart. I would prefer to give the name *inter-spiritual* or *inter-mental* psychology to the science which has this study for its object, as it is clearer and more precise than social psychology, especially since not all the actions of mind upon mind are adapted to create or strengthen the social bond, for many contribute toward dissolving it. Inter-mental psychology should neither be confounded with sociology, which it leads up to and explains, but which it does not constitute; nor with psychology proper, *intra-mental*, to which it is not opposed, but which it completes.

These inter-mental actions obey certain laws, some of which have been formulated. The actions of one mind upon another are actions in distance. They obey a law of superior causality in that the action is not only direct and unilateral, as when, for example, the individual is influenced by the sea or mountains, but it is also reciprocal.

Social or inter-spiritual psychology, as well as individual psychology, ought to study the influence of mind upon mind from its beginning. For this purpose the inter-mental life of animals should be the starting-point, and its development should then be traced from infant to adult life.

The sentiments are to social psychology what the sensations are to individual psychology. The sensations give rise to the notions of space and time, of matter and force. The sentiments give rise, by their mutual friction, to the social categories of right and duty, of good and evil. We may add that the sentiments are the instinctive signs of our social relations in the same manner that the sensations are the physiological signs of our physical relations with inanimate beings.

In relation to these social sentiments we should consider: (1) why certain sentiments are diffused or not diffused in a given society or at a given time; (2) why their contagiousness is so unequal or irregular; (3) how they are diffused; (4) the transformations which they undergo in the process of diffusion and the combinations which they form. I can only indicate the place of these problems. It may be observed, with regard to the manner of the contagious diffusion of the sentiments, that there is reason for distinguishing five cases: (1) direct diffusion by individual to individual; (2) that of an individual to a crowd or any grouping; (3) that of a crowd or group to an individual; (4) that of an individual to a *public*; (5) that of a public to an individual. There would be material here for as many monographs. The first case is, especially, that of conversation—the social worker, unperceived, invisible, incessant, universal. The second has given rise to some interesting and fragmentary works on

crowds. The third, the opposite of the second, has also been the object of some study with reference to timidity or intimidation. The fourth and fifth cases would deserve our attention if time permitted, because of the multiplicity, growing diversity, and increasing importance of the relations of the individual to the public.

The simultaneous and diverse sentiments which coexist at each instant in a society form a system more or less harmonious where the congruities outweigh the incongruities. The problem would be to examine the ways and means, the operations and social dialectics, confused and profound, by which this beneficent harmony is elaborated and maintained, and also to examine the anomalies which are opposed to this harmony, on the one side an excess of imitative impressionability, on the other by a lack of moral plasticity.

It is also necessary to make an investigation of the conditions, external and internal, upon which the suggestive action of one mind upon another depends. These conditions are of several kinds: physical, physiological, psychological, and sociological.

The physical conditions upon which inter-cerebral action depends change from century to century and from country to country with the modifications in the means of communication. The physiological conditions are found either in difference in age of the minds in contact, a difference which makes them more or less suggestible or suggestive, or in the difference of ethnic types. The psychological conditions, especially important, are seen, in part, in the influence of great leaders. The sociological conditions are very numerous, but we may mention community of language, religion, and education.

As a means for securing precision in inter-cerebral psychology, emphasis should be placed upon statistics. Statistics are to social psychology what the registering instruments of the psycho-physicist are to individual psychology.—G. TARDE, "La psychologie inter-mentale," in *Revue internationale de sociologie*, January, 1901.

E. M.

Recent Progress of Labor Co-Partnership.—In the January number of the *Economic Review* Mr. W. H. Lever recommended a scheme of "prosperity-sharing," which has been in actual operation for some years in the well-known firm which he represents. It is intended to give the employés of any business a special interest in its welfare beyond the mere payment of wages, but it leaves, not only the amount of this extra reward, but also its distribution and application, entirely at the discretion of the employer. Such a system, if widely applied, would condemn the great majority of our industrial classes to a state of perpetual childhood, in so far as their working days are concerned, during which they would be subject to a supreme, though perhaps a benevolent, despotism. We believe in a different ideal. We look for the gradual development of a system by which every individual engaged in any particular industry in any capacity shall hold some portion of its capital, and so participate directly in its gains and losses, and shall also have a right to give his vote in electing those who control it, and in deciding the main lines of its policy. That is to say, we believe in the evolution of self-government in industrial affairs, analogous to that which is taking place in the political sphere. As a sign of this evolution the organizations among British workmen may be considered. At its inception the movement was primarily an attempt on the part of workmen to organize their own labor in co-partnership, but later another form of co-partnership appeared, in which the business was organized primarily by federated societies of consumers, admitting their employés to partnership in regard to profits, capital, and control. This second development has since attained such large figures in trade and capital as almost to overshadow the earlier form. Moreover, a third development has already assumed significant dimensions, viz., the growth of agricultural coöperation in Ireland. We find there a large and rapidly increasing number of societies, which are organized by a union of small peasant producers, who wish to employ other people on co-partnership principles. These societies are chiefly used for marketing purposes, and deal in poultry, eggs, needlework, homespun, and, above all, in milk, which they turn to butter.

Of these three types the first preponderates in England, the second in Scotland, and the third in Ireland.

The statistics from 1883 to 1899 show a decided growth in the English movement, the most typical class of co-partnership societies. From 1893 to 1899, a representative period in the history of the movement, there was an increase of nearly 37 per cent. in the number of societies, and over 100 per cent. in the amount of bonus paid to the employés as dividend on their wages. And the growth in trade, capital, and profits is particularly remarkable as showing the tendency of established societies to grow strong.

One of the greatest obstacles to the progress of the movement is the limited market for coöperative goods. The productive societies largely depend upon the custom of the distributive stores, and these are supplied for the most part by the productive departments of the English Coöperative Wholesale Society, which are not managed on co-partnership lines. This difficulty may be met in part by a federation of the co-partnership societies engaged in each trade for the joint marketing of their products. However, it should be observed that there is a significant tendency among the more recently formed societies to seek open market, and to depend less upon the preferential custom of the coöperative stores.

Fair progress may be reported in regard to the organization of societies. The rule requiring capitalization of the worker's profits up to a certain amount has become almost universal in new societies, thus insuring that the employés shall take a real share of responsibility, and make the best use of their extra gains.

The provident fund, which generally receives 10 per cent. of the net profit, and the educational fund, are important features of all coöperative societies.

The present tendency of coöperative production in Scotland is toward centralization, and for the most part in the hands of the Wholesale. The increase in all other respects is striking, and is almost entirely due to the development of the two great federations of consumers' societies, the Scottish Wholesale and the United Baking Society of Glasgow.

In Ireland agricultural coöperation has made rapid progress. All the Irish productive societies have a rule for sharing profits with labor, and also allow their employés to become shareholders. So far, however, only a small percentage of the employés have claimed this privilege, but there is hope in the fact that the principle of co-partnership has been frankly recognized in the rules of the societies and is warmly encouraged by the leaders of the movement. There are now about 60,000 members in the various societies, mostly small peasant farmers.

In general it may be said that the principle of co-partnership has given the workpeople better wages, shorter hours, and more regular work than could be obtained in ordinary competitive workshops, and, in addition, a share of profits, averaging, where societies have become well established, 5 per cent. upon their wages; and, further, it has helped to conciliate the conflicting interests of capital and labor.

With regard to the ethical aspect of co-partnership, it is unfortunately true that some men appear more or less incapable of rising to its demands, either from lack of moral character or because they have become too much accustomed to the "lash of the overseer." But there are sure to be some weaklings in every movement, who can only be strengthened by slow degrees. And certainly no one who has watched the history of co-partnership societies during the last seventeen years can reasonably doubt the educational value of this method of industrial management; it has always served to develop men's intelligence and sense of responsibility, and to promote habits of thrift, honest work, and public spirit.—ANEURIN WILLIAMS and HENRY VIVIAN, in *Economic Review*, April, 1901. E. M.

The Economic Ages.—There are two distinct notions of utility: one a concept of utility as objective, which plays a large part in the theory of biological evolution; the other a concept of utility as subjective, which is the foundation of modern economic theory.

In their use of the words "economy" and "economic" the biologists and economists again reveal an interesting divergence of thought. The economist, however deeply tinged his ideas may be with the color of modern biological knowledge, habitually thinks of economy as a practice or condition of human beings who have

acquired arts, and who produce wealth—*i. e.*, exchangeable goods—by means of industry, well regulated by “business methods.” Inherent in this conception is the notion that economy presumes a conscious being, endowed with capacity for pain and for pleasure, to plan and direct the economy and to profit by it. The biologist, on the other hand, defines “economy” as any system of activities and relations which furthers the well-being of any class or species of living things. In his definition there is no implication of consciousness, of pleasure, or of pain, and no presumption of intelligent planning or management on the part of the organisms that are benefited by their economy. The thought is altogether objective.

The immediate bearing of these reflections is upon the much-discussed question of the genetic antecedence of economic to social phenomena, or of social to economic, and the derivative question of the logical antecedence of a science of economics to a science of sociology or of a science of sociology to a science of economics.

The theses which I undertake to prove are: *first*, that in every stage of the evolution of life, from that of the lowest vegetal organisms to that of the highest human consciousness, economy is a function of two variables, namely, (1) the physical environment, (2) a plural number of living organisms or individuals; *second*, that the relation of these two variables to each other, which may at any time be affected by changes occurring in the physical environment, is at all times largely determined by the relations which the organisms or individuals in plural number sustain to one another; and, *third*, that economy, as thus determined, is developed through three great stages or ages, which I shall call, respectively, the organic economy, the instinctive economy, and the rational economy, and that for unnumbered generations the rational economy is an animistic and ceremonial economy before it becomes a scientific and business economy.

The conclusions of this article are these:

1. If any economist maintains that a certain distribution of useful things or qualities in the physical environment is antecedent to society, he is on safe ground so far. If he chooses to call the study of such distribution economic geography, then he will be quite right also in maintaining that the study of economic geography is logically antecedent to the study of sociology.

2. But if any economist maintains that utility (conceived as objective or subjective) is identical with useful things or with the useful qualities of an environment, he is wrong. Utility is a circumstance of things in their relation to organic well-being, or to a state of mind; and in either case it is a product of some activity of the organism, with reference to the useful things or qualities of the environment. In themselves the qualities of the environment are *potential* utilities only.

3. A system of activities on the part of the organism whereby potential utilities are converted into utility is itself an *economy*.

4. If at this point any economist claims that economy is antecedent to society and creates society, he may be right, but he probably is wrong. He is right only if he means that a merely organic economy of purely physical organisms is antecedent to society; he is wrong if he means that any system of economy found among animals is antecedent to animal society, or if he means that any system of economy found among men is antecedent to human society; and even in respect of merely physical life he is wrong if he means that organic economy is antecedent to a certain subsocial grouping; all *because*:

5. Organic economy is a system of activities which is *caused* by the relations of physical organisms to a physical environment, but which is *formed* and *directed* by the relations of the organisms to one another—that is, by subsocial grouping; instinctive economy, in like manner, is a system of activities caused by the relations of animals to their physical environment, but formed and directed by their social relations; and rational economy is a system of activities caused by the relations of men to their physical environment, but formed and directed by their social relations.

6. Economy, in general, is a system of activities—not originally *caused*, but always *formed* and *directed*, by social relations or by subsocial grouping, whereby a community converts potential utility into actual utility.

7. Society, therefore, can never be explained in terms of economic principles. Much less can it be explained in terms of utility, which is the product and not the cause of social relations.

8. Society can be explained only in terms of mental evolution, which in its turn must be explained in terms of organic evolution, which finally must be explained in terms of *potential* utility, as found in the qualities of the environment.

9. In other words, sociology presupposes psychology, which presupposes biology, which presupposes economic geography. Sociology does not presuppose economics, and there can be no scientific economics which are not based on sociology.

10. Genesis, or the first appearance of any given kind or grade of life, is separated, in causal sequence and in time, from the *development* of that kind or grade of life, by the intervention of (a) a social correlation and (b) an economy. Social correlation follows genesis; economy follows social correlation; development follows economy; and *genesis* of a *higher* grade of life follows *development* of a *lower*. Development is a function of economy; economy is a function of society; society is a direct, immediate function of genesis in *pluribus*.—FRANKLIN H. GIDDINGS, in *Political Science Quarterly*, June, 1901. E. M.

The Function of Saving.—Under the above title Mr. Bostedo has criticised in the January number of the *Annals* some views which I expressed in my work *The Positive Theory of Capital* in regard to the influence of saving on the formation of capital. While I advanced, and illustrated by means of various examples, the opinion that an increase in the capital of a community can only take place in consequence of a balance of saving over spending on the part of its members, Mr. Bostedo arrives at an exactly opposite conclusion, namely, that "saving, as the term is commonly understood, has no influence whatever on the formation of capital."

Mr. Bostedo accuses me, in substance, of having committed three errors: of having made an ambiguous use of the word "saving," of having chosen an "unnatural" and therefore inadmissible illustration for the development of my doctrine, and having fallen into a logical blunder in the course of this development.

He maintains that I have characterized indifferently two quite distinct conceptions as "saving," namely, (a) the motives which determine the direction of production; (b) what everybody understands by "saving." In reply I wish merely to insist that I have not confused two conceptions of "saving" in my writings, but that I have merely endeavored to give the two phases of the saving process, namely, the negative and positive. That which "everybody understands as saving" has first of all its *negative* side, that is, the not-consuming of a portion of income, or, in terms applicable to our money-using society, the not-spending of a portion of the money annually received. This negative aspect of saving is the one which is made most prominent in everyday speech, and is often the only one considered, since comparatively few people follow the sums of money saved farther than the receiving window of a bank or trust company. But here the *positive* part of the saving process only just begins, to complete itself quite out of the range of vision of the person who saves, whose action has nevertheless given the impulse to the whole movement; the bank collects the savings of its depositors and places them at the disposal of various productive enterprises, which but for such aid either could not be prosecuted at all, or not with the same efficiency.

In regard to his second accusation, I had, merely by way of illustration, assumed that "each individual in the community consumes, on the average, only three-quarters of his income and saves the rest." If Mr. Bostedo means by his criticism that it is quite improbable that in any large community every individual, without a single exception, should save from his income at the same time and in the same proportion, he is undoubtedly right. But, as a matter of fact, as my introductory phrase "on the average" indicates, I do not lay the slightest weight upon the details of my illustration, and even if I did, the mere *improbability* of the case assumed would not in the least invalidate it as an aid in the exposition of a general principle.

However, my illustration is not only characterized as "unnatural," but in his third criticism he states that it is "impossible," and that the explanation built upon it is both "confused and contradictory."

The impossibility of my assumption Mr. Bostedo undertakes to prove by means of the following syllogism: When all of the members of the community simultaneously save one-quarter of their incomes, they thereby reduce by one-quarter their demand for consumption goods. The lessened demand compels producers to curtail

production correspondingly. But if production shrinks along with consumption, then obviously there can be no outlet for savings; the realization of the assumed saving of one quarter of the community's income is thus shown to be impossible.

The fault in this reasoning is that the premise which asserts that a curtailment of "consumption for immediate enjoyment" must involve also a curtailment of production is erroneous. The curtailment of consumption involves, not a curtailment of production generally, but only through the action of the law of supply and demand, a curtailment in certain branches. If in consequence of saving a smaller quantity of costly food, wine, and lace is bought and consumed, less of these things will *subsequently* — and I wish to emphasize this word — be produced. There will not, however, be a smaller production of goods generally, because the lessened output of goods ready for immediate consumption may and will be offset by an increased production of "intermediate" or capital goods.

Mr. Bostedo adds a second syllogism to prove that this last proposition of mine is not only incorrect, but is inconsistent with the premises upon which my own theory rests. His argument is essentially as follows: Production is universally called forth and guided by demand. This is true even of the production of capital, since capital consists, according to my own theory as quoted by Mr. Bostedo, simply of unfinished goods. These are demanded only when and in so far as the finished or consumption goods expected to be made from them are demanded. It follows that at last analysis the production of capital goods is also called forth and guided only by demand for consumption goods. If now, in consequence of universal saving, the demand for consumption goods is reduced by one-quarter, then it is not apparent how it can be possible for more capital goods than formerly to be demanded and produced.

This reasoning has one weak point in that it omits one very important word. Mr. Bostedo assumes, and represents me as assuming in my illustration, that saving signifies necessarily a curtailment in the demand for consumption goods. But in quoting my statement he has omitted the word "present." Those who save curtail their demand for consumption goods in the *present* merely to increase proportionately their demand for consumption goods in the future. Consequently the occasion for a curtailment of production is absent, since the demand for goods generally has not become smaller.

There is, however, occasion for a change in the direction of production, for if fewer consumption goods are demanded at the moment and more in the future, and production is not to outrun the demand — as both of us assume — the productive powers must be so disposed that fewer consumption goods will be produced at the moment and proportionately more will come to maturity in the future. The principal way to effect this result is to invest the productive forces, land and labor, in more extended or round-about processes of production, or to produce in larger quantity than before "intermediate products," from which at a later period goods ready for consumption may issue — in other words, to increase the production of capital goods. — E. BÖHM-BAWERK, in *Annals of the American Academy*, May, 1901. E. M.